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Armenia's Velvet Revolution

In December 2018, snap parliamentary elections strengthened the legitimacy of Armenia's new prime minister, Nikol Pashinyan, who came to power in May 2018 in what supporters called a "velvet revolution." The elections unseated a semi-autocratic ruling party that had governed Armenia for almost 20 years but now failed to enter parliament.

Armenia, a small, landlocked country in the South Caucasus (population 3 million), is dependent on Russia for security, trade, and investment, but it also seeks closer relations with the United States and Europe. Whether Armenia's change of government will lead to further integration with the West is unclear. For now, Armenia's government says it intends to retain its security alliance and economic partnership with Russia while pursuing Western-leaning democracy and governance reforms.

Peaceful Transfer of Power

In April-May 2018, mass protests were prompted by public discontent with the efforts of Serzh Sargsyan, Armenia's president for a decade, to extend his rule by becoming prime minister, a position he held for one week. Sargsyan's maneuver was in line with constitutional reforms from 2015 that made Armenia's prime minister the country's most powerful executive. In 2018, Armenia's previously strong presidency became a largely ceremonial position filled by parliament.

After Sargsyan resigned, the then-ruling Republican Party of Armenia (RPA) rejected the bid of Pashinyan, aged 43, a former journalist, opposition leader, and parliamentary deputy, to serve as prime minister. This led to a mass general strike, after which the RPA consented to Pashinyan's candidacy.

Snap Parliamentary Elections

To secure a parliamentary majority, Pashinyan called for early elections to Armenia's unicameral legislature, the National Assembly. To hold the elections, Pashinyan was required to step down as prime minister in mid-October and serve in an acting capacity.

Elections were held on December 9, 2018, under conditions of "genuine competition," according to international observers. Pashinyan's My Step coalition won a sizeable victory, with 70% of the vote. In the last parliamentary elections in April 2017, an opposition alliance that included Pashinyan's Civil Contract party won 9% of the vote.

Two other parties entered the National Assembly. In second place with around 8% of the vote was the center-right Prosperous Armenia, led by Gagik Tsarukyan, a wealthy businessman whose party was part of an RPA-led ruling

coalition from 2007 to 2012 but supported Pashinyan's candidacy as prime minister in May 2018. The third party to enter the National Assembly, with 6% of the vote, was the pro-Western Bright Armenia, which was previously in alliance with Pashinyan's Civil Contract.

The RPA failed to clear the 5% threshold to enter parliament. The nationalist Armenian Revolutionary Federation (ARF, or *Dashnaktsutyun*), frequently a junior coalition partner of the RPA, also did not enter parliament.

The National Assembly was elected under new rules established before the 2017 elections and designed to ensure that a party or coalition that wins the most votes receives at least 54% of seats but no more than 67%. As a result, My Step received two-thirds of parliamentary seats (88 out of 132). Prosperous Armenia received 20% of the seats, and Bright Armenia received 14%.

Figure 1. Republic of Armenia



Source: Graphic created by CRS. Map information generated by Hannah Fischer using data from Department of State and ArcWorld.

Combatting Corruption and Abuse

Since May 2018, the Pashinyan government has sought to expose high-level corruption, which observers consider to have been a major driver of the anti-Sargsyan protests. The government charged or arrested several prominent politicians and their associates, including close relatives of Sargsyan and members of parliament, for corruption-related offenses and other crimes.

Authorities also arrested ex-president Robert Kocharyan on charges of "overthrowing Armenia's constitutional order," in connection with his administration's use of lethal force in 2008 against demonstrators protesting electoral fraud after a

controversial election that was officially won by Sargsyan (Kocharyan's handpicked successor). Pashinyan was a leader of the 2008 protests and spent two years in jail for allegedly "organizing mass disorder."

Economic Challenges

Armenia's velvet revolution has taken place at a time of economic growth. After four years of relatively slow growth, Armenia's gross domestic product (GDP) is estimated to have grown by 7.5% in 2017 and by 5%-6% in 2018. The International Monetary Fund attributes this higher growth to rising migrant remittances and exports, higher copper prices, and a strengthening private sector.

Still, Armenia continues to suffer from high rates of poverty, unemployment, and outmigration. According to official statistics, almost 26% of the population lived in poverty in 2017. The official unemployment rate was 18%, and a third of the labor force works in agriculture. Armenia's official population has declined by around 7% since the year 2000, primarily due to migration outflows. Large numbers of Armenians work abroad, mostly in Russia. The World Bank estimates that remittances made up around 13%-14% of Armenia's GDP from 2015 to 2017.

In 2017, Armenia's two largest merchandise trading partners were Russia (\$1.71 billion, or 27% of total trade) and China (\$604 million, 9%). Trade with the European Union (EU), as a whole, made up around 24% of Armenia's total trade. Trade with the United States made up around 3%. Armenia's main exports include copper ores, tobacco, diamonds and gold, alcoholic beverages, and aluminum.

Russia is the largest source of foreign direct investment in Armenia, reportedly making up 46% of Armenia's total cumulative (stock) foreign direct investment of almost \$4.2 billion. The European Bank for Reconstruction and Development, of which the EU and several member states are shareholders, reports that it is Armenia's single largest investor, having invested over \$1.4 billion in 170 projects. In 2015, a U.S. company acquired Armenia's largest hydropower complex.

One challenge the new government faces is how to manage conflict between the foreign owners of a gold mine project (which the U.S. Embassy in Armenia refers to as "the single largest Anglo-American investment in Armenia") and local and environmental activists, who have blocked completion of the mine's construction since late June 2018.

Nagorno-Karabakh Conflict

Pashinyan is Armenia's first leader in 20 years who is not from Nagorno-Karabakh, a disputed Armenian-majority enclave that claims independence from neighboring Azerbaijan. Like most Armenian politicians, Pashinyan expresses firm support for the region's separation from Azerbaijan. The day after he became prime minister, Pashinyan visited Nagorno-Karabakh and called for the inclusion of local authorities in peace talks. The Azerbaijani government has warned the Armenian government that it will defend its claims to the region, which last experienced a serious flare-up in April 2016. The United States and France, which (with Russia) cochair the Minsk Group

overseeing international conflict resolution efforts, have expressed renewed interest in settling the dispute.

Relations with Russia

Armenia traditionally relies on Russia for security guarantees and economic support, but it also seeks to cultivate close relations with the West. Armenia's change of government did not openly challenge the country's geopolitical orientation, unlike Ukraine's 2014 Revolution of Dignity (also known as the EuroMaidan) or the so-called color revolutions in Georgia and Ukraine in the early 2000s.

Pashinyan and his supporters, including many young people, insist that good governance and democracy do not require Armenia to move away from Russia and closer to the West. Before being appointed prime minister, Pashinyan stated that Armenia would remain in Russia's orbit. He said, however, that "allied relations with Russia should be based on friendship, equality, and mutual willingness to solve problems."

Russian officials, in turn, initially responded to developments in Armenia with expressions of national friendship and praise, an uncommon reaction on their part to protest-driven regime change. Russian officials have expressed discontent, however, with the Pashinyan government's efforts to prosecute former Armenian officials, including the secretary-general of the Collective Security Treaty Organization, a Russia-led security alliance, on charges of corruption or other abuses of power.

Issues for Congress

In September 2018, the U.S. State Department's acting coordinator of U.S. assistance to Europe and Eurasia told Congress that the United States can help secure "Europe's Eastern frontier" by supporting "the democratic aspirations of the people of Armenia, including preserving their freedom to choose further integration with the West."

Armenia was once the highest per capita recipient of U.S. assistance among post-Soviet states (an average of over \$100 million annually through 2003). As U.S. concerns regarding democracy and governance grew, assistance declined. From FY2010 to FY2012, U.S. assistance was around \$45 million per year. It further dropped to an average of \$25 million a year from FY2013 to FY2017. In October 2018, the U.S. Embassy in Armenia stated that FY2018 assistance would amount to more than \$26 million.

Some U.S. assistance has sought to mitigate the effects of the Nagorno-Karabakh conflict, the settlement of which U.S. officials have said is "essential for a more secure and prosperous future for Armenia and the South Caucasus." Since FY1998, the United States has provided more than \$49 million in related humanitarian assistance, most recently for demining (through FY2017). Since 2001, the United States has provided equal Foreign Military Financing aid to Armenia and Azerbaijan in an effort not to affect the military balance between them.

Cory Welt, Analyst in European Affairs

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